

Savanta:

Business banking lending
application preferences –
personal or digital?

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make better decisions



Digital banking increased during Covid, a known fact.

The COVID-19 pandemic has been a driving force for digital banking across the globe. Almost every bank, large or small, saw an increase in digital banking usage. In the UK, bank branch opening hours were restricted and physical interactions were minimised, with businesses pushed to embrace self-service channels like never before. One area where this has been particularly noticeable is in product application.

Innovation in tech and artificial intelligence has been transformative, making it easier and faster for businesses to apply digitally, while still experiencing something of a personalised service. But are there limits?

Pre-Covid, in Q4 2019, Savanta asked businesses about their preferences for lending product application – through personal medium or digital – and given the great change in the landscape we were interested to see how much sentiment had changed.



Do businesses still want a personal touch? Yes, for more complex lending.

Business banking customers may depend on digital channels for routine transactions, but when it comes to complex and involved lending products, like commercial mortgages, the majority of businesses prefer human interaction.

When applying for a credit card, a relatively simple product, 7 in 10 would prefer to apply through a digital medium e.g. online via a PC, laptop, mobile phone or tablet.

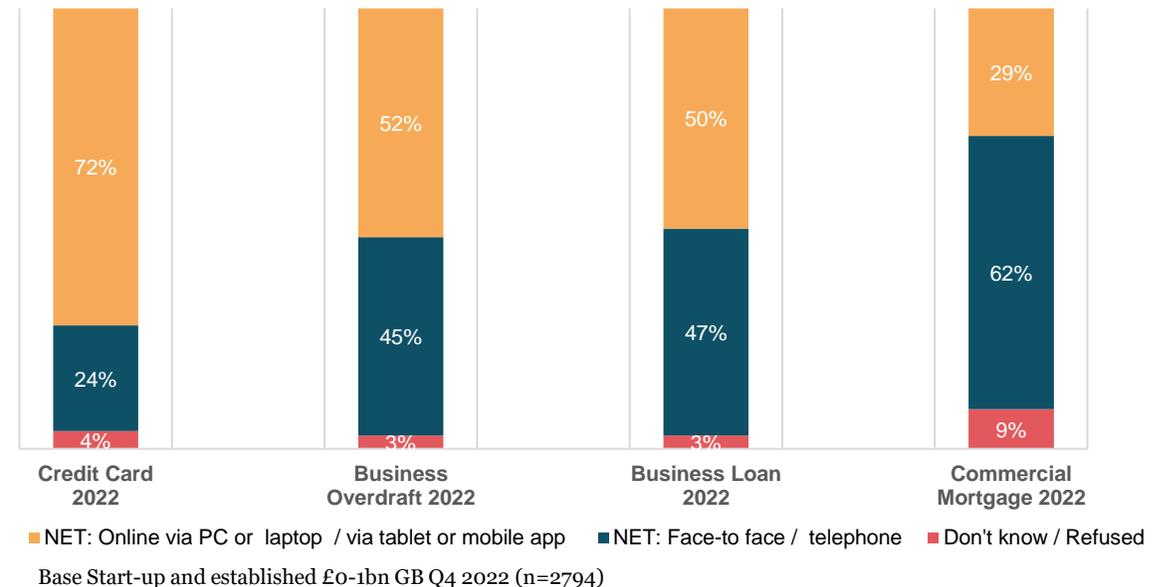
However, whilst half would prefer to apply for a business overdraft or business loan digitally, a similar proportion would prefer a personal process, via face-to-face or telephone.

And when it comes to a more complex product, like a commercial mortgage, digital preference is in the minority with only 3 in 10 preferring this medium over application either face-to-face or over the phone.

Clearly, the more complex a product the greater the preference for a personal approach when looking to take out such products. No doubt part of this is practicality - regulatory and legal compliance for such products may require more detailed explanations. But also, preference is probably also driven by a need to build trust and understanding between both the business and the provider.

Lending product application preference Q4 2022

And if you decided to apply for the following products in the future, how would you prefer to undertake the application process? Would you prefer to apply face-to-face, by telephone, online via a PC or laptop or using an app on your mobile phone or tablet?





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In Q4 2019, most businesses preferred to apply for loan products face-to-face or over the phone.

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Digital preference has increased post-Covid, but less so regarding commercial mortgages.

The pandemic experience has most definitely affected customer preference as banks improved their digital offerings and customers gained confidence in their usage.

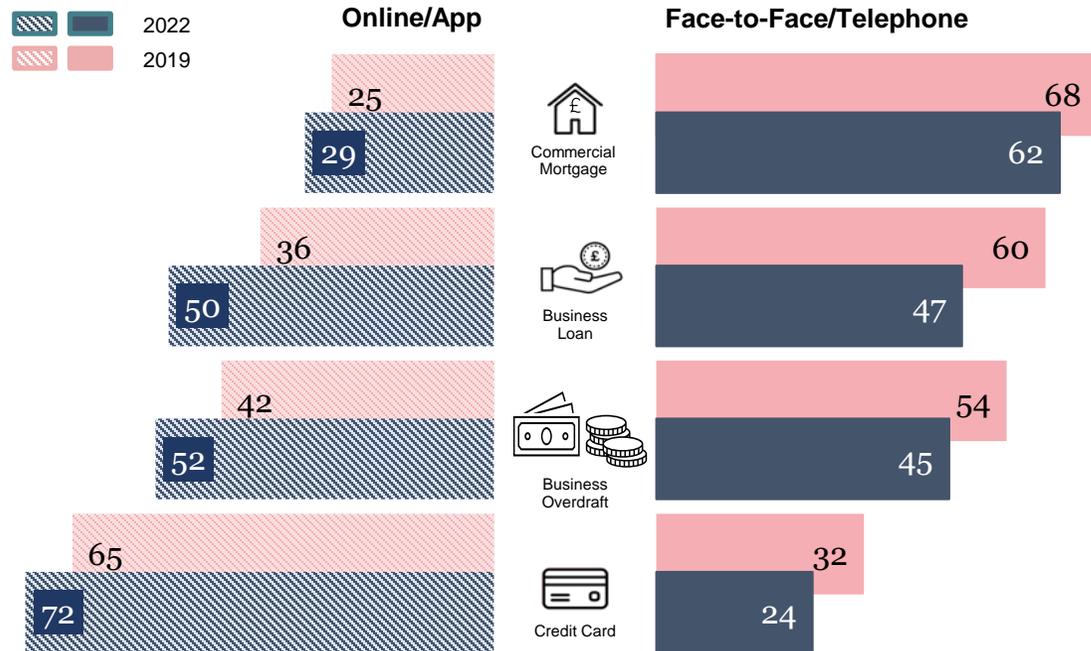
In Q4 2019, most businesses preferred to apply for loan products face-to-face or over the phone. Application for credit cards was the exception with 65% preferring a digital approach even back then.

But fast forward to Q4 2022 and now about half prefer to apply for overdrafts and business loans digitally. The change in preference is most notable for business loans, where only a third preferred to apply digitally back in Q4 2019.

Notably, there was only a small change in preference for digital application for commercial mortgages with the majority still preferring to apply face-to-face or over the phone.

Lending product application preference Q4 2019 vs Q4 2022

And if you decided to apply for the following products in the future, how would you prefer to undertake the application process? Would you prefer to apply face-to-face, by telephone, online via a PC or laptop or using an app on your mobile phone or tablet?



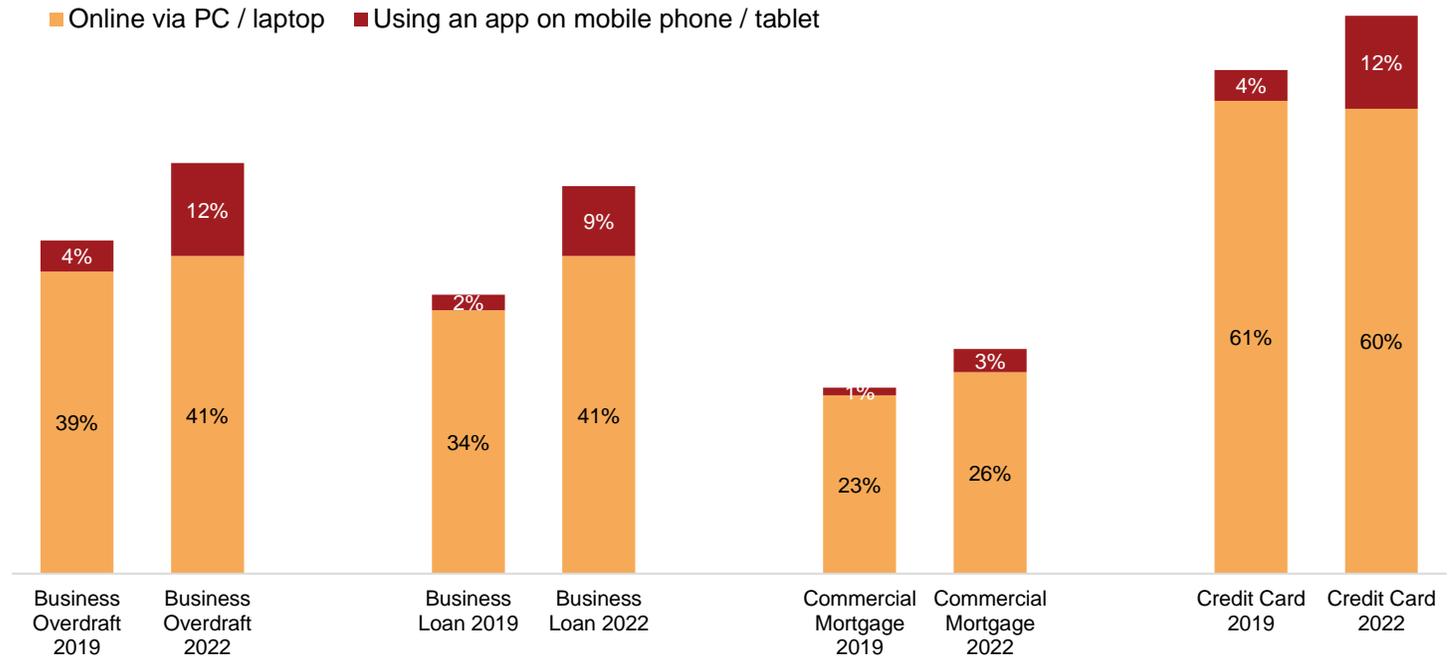
SU EST £0-1bn GB Q4 2019 (n=3081), SU EST £0-1bn GB Q4 2022 (n=2794)

Mobile preference is driving the change.

When we look more closely at digital preference, it's clear that the growth has come from an increase in mobile and tablet application preference, a result of necessity when personal interaction was limited, but also likely due to innovation on the part of providers making mobile applications easy.

Lending product application preference Q4 2019 vs Q4 2022 PC/laptop vs Mobile/tablet

And if you decided to apply for the following products in the future, how would you prefer to undertake the application process?
Would you prefer to apply face-to-face, by telephone, online via a PC or laptop or using an app on your mobile phone or tablet?



SU EST £0-1bn GB Q4 2019 (n=3081), SU EST £0-1bn GB Q4 2022 (n=2794)

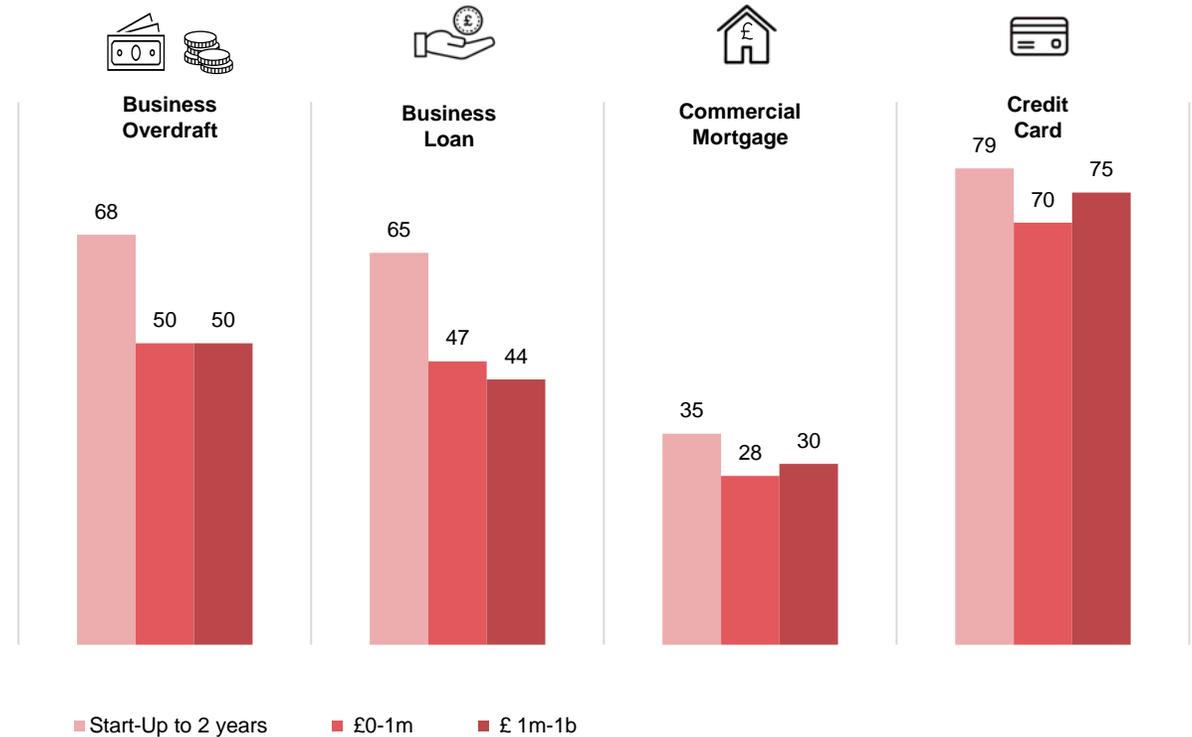
Start-up businesses under 2 years, the techy kids on the block, but there is still a limit.

Start-up businesses are more likely to prefer a digital application method than any other business size. Savanta's MarketVue Business Banking Survey indicates that approximately half of Start-up businesses chose a Neobank for their business banking relationship and we know that their great strength is their digital banking offering. But even here, preference does not extend to commercial mortgages where only 35% prefer a digital application method.

Lending product application digital preference Q4 2022 – Business Size

And if you decided to apply for the following products in the future, how would you prefer to undertake the application process? Would you prefer to apply face-to-face, by telephone, online via a PC or laptop or using an app on your mobile phone or tablet?

Approx half of SUs bank with a **Neobank**



Bases: SU GB market share base (n=791), SU GB Q4 2022 (n=184), £0-1m GB Q4 2022 (n=1522), £1m-1bn Q4 2022 (n=1088)

One industry sector seems to buck the trend - Agriculture.

Those in the Agricultural sector are much less likely to prefer a digital route for all products tested and interestingly, their preference has decreased over time.

Agricultural businesses do sometimes have complex financial needs, and these may require more detailed discussion. Indeed, many banks provide propositions aimed directly at the agricultural industry specifically because of this. But how long before these too become accessible digitally, as banks innovate and change with the times.

Lending product application digital preference Q4 2019 vs Q4 2022 – Industry

And if you decided to apply for the following products in the future, how would you prefer to undertake the application process? Would you prefer to apply face-to-face, by telephone, online via a PC or laptop or using an app on your mobile phone or tablet?



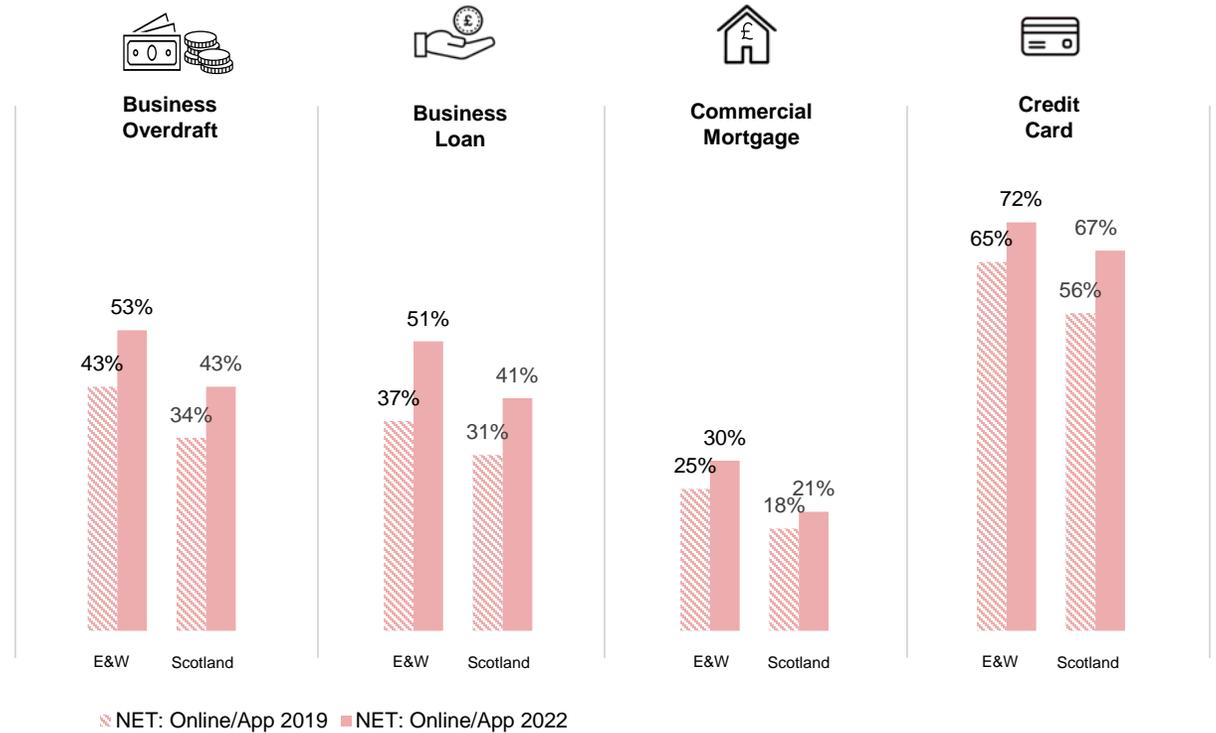
Bases Total Market
 SU EST £0-1bn GB Q4 2019 (n=3081)
 SU EST £0-1bn GB Q4 2022 (n=2794)

Bases Agriculture
 SU EST £0-1bn GB Q4 2019 (n=118),
 SU EST £0-1bn GB Q4 2022 (n=86)

And the Scottish prefer a more people-centric approach than those across the border.

Lending product application digital preference Q4 2019 vs Q4 2022 – Region

And if you decided to apply for the following products in the future, how would you prefer to undertake the application process? Would you prefer to apply face-to-face, by telephone, online via a PC or laptop or using an app on your mobile phone or tablet?



Bases E&W
 SU EST £0-1bn GB Q4 2019 (n=2398)
 SU EST £0-1bn GB Q4 2022 (n=1334)

Bases Scotland
 SU EST £0-1bn GB Q4 2019 (n=683)
 SU EST £0-1bn GB Q4 2022 (n=372)



People prefer people for some product applications

So, while we have seen a shift to digital preference, driven by mobile, as yet it's not a medium preferred for complex lending products. Clearly a personal approach is preferred, maybe needed. It's extremely unlikely that businesses will return to personal application for the simpler products, but will digital application extend out? And if so, how fast and how far will it go?

Looking even further into the future, how might the metaverse change the landscape again? Could we move to a time where businesses use virtual reality to interact with virtual bankers and make applications? For simple products that would seem to be the next step, but for complex products are businesses always going to need the human touch?

Sources: Savanta MVBC GB

Q4 2019 Survey Period: 1st October - 18th December 2019 (3081)

Q4 2022 Survey Period: 20th September - 16th December 2022 (2794)

Savanta's MarketVue Business Banking

Based on a continuous survey of 15,000 financial decision makers in UK businesses and 10 years of historical data, MarketVue Business Banking is a highly **reliable and detailed monitor of how banks are perceived by business customers.**

It is designed as a **complete market overview** covering market share, trends, brand health and customer experience to inform business strategy and provide tactical feedback for action planning. Interviewing is conducted continuously among a UK representative sample from start-ups, SMEs up to major corporates throughout the year and data/insight is delivered to clients on a quarterly basis.

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Savanta offers clients a full range of intelligence services, including:

Data collection and analysis – access to consumer, business, wealth & youth respondents globally through a proprietary technology platform

Research and Insight – tailored solutions built using specialists from Savanta's Industry and Methodology Practices

Proprietary tech & products – instantly access digital intelligence about markets, brands and customers. It's our own technology. And it's fast and flexible.



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Stephen has 25 years' research experience across financial services and tech and leads the financial services team at Savanta. Prior to Savanta, Stephen was Head of Insight at Kantar Financial Services & Technology and responsible for delivering customer experience, brand and segmentation research. Stephen is a certified member of the MRS and has sat on the standards board. stephen.palmer@savanta.com



Ben McGregor

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Ben has spent the last 25 years working in financial services, providing targeted support to some of the most recognizable global brands across banking, insurance, payments, wealth, and investment banking. Ben moved to Savanta at the end of 2021 to support the growth of the financial services business. ben.macgregor@savanta.com



Sue Lewis

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Sue has over 30 years' market research experience, including six years' experience client side (in the healthcare sector at BUPA and in business banking at Barclays, where she was a senior market research manager). Before joining Barclays, Sue was previously an associate director at City Research. Sue has a BSc (Hons) degree in Sociology from the University of Southampton and is a certified member of the MRS (CMRS). sue.lewis@savanta.com



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Rima joined Savanta when Wealth-X Custom Research was acquired in 2019. She has worked predominantly on quantitative projects in the finance and wealth space and has particular expertise in project logistics. Rima has a Master's degree in International Tourism from the University of Lugano, Switzerland and a Bachelor's degree in Economics from the University of Indonesia. rima.aryandani@savanta.com



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Shweta recently joined Savanta and has 8 years of experience working in Market Research across all industry sectors. She previously worked for Dynata's India Operation; mainly specialising in quantitative projects. She has a BSc (Hons) degree from Patna University in Biotechnology and a Masters in Business Management from JRE College of Institutions. shweta.bharati@savanta.com

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